

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6034**

**BILL NUMBER:** HB 1240

**NOTE PREPARED:** Jan 19, 2005

**BILL AMENDED:**

**SUBJECT:** Medicaid Overpayments.

**FIRST AUTHOR:** Rep. Becker

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides that certain Medicaid providers who have been overpaid do not owe the state interest. The bill also allows the Secretary of Family and Social Services to reduce the amount of interest due on an overpayment in certain situations.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill eliminates the obligation of providers to pay interest on Medicaid overpayments for which the error causing the overpayment to the provider was the fault of the Office of Medicaid Policy and Planning (OMPP).

OMPP does not track the reason for an overpayment in their system, so a precise estimate at this time is indeterminable. However, the total net interest collected in FY 2003 for overpayments was about \$520,000, and the interest collected in FY 2004 was about \$1.1 M. According to OMPP, the majority of these amounts are believed to be a result of provider-caused errors and would not be affected by the bill. However, some fraction of these interest collections would be the result of OMPP errors, resulting in some reduction in interest collections by the state.

Medicaid is jointly funded by the state and federal government. Interest collections would also be shared. The state share of reduced interest collections would be about 38%, and the federal share would be about 62%.

*Background Information:* Under current statute, all providers that receive an overpayment notice are subject to interest payments on the amount that OMPP determines was overpaid, from the date of the overpayment. Procedurally, a provider may (1) repay the overpayment with interest included; (2) repay the overpayment with no interest, but request a hearing and an appeal of the overpayment determination; or (3) withhold repayment of the overpayment and the interest, and request a hearing and an appeal of the overpayment determination. If the administrative appeals process results in a determination that the provider was not overpaid, OMPP would return the amount in question to the provider plus any interest the provider may have paid. OMPP would also be responsible for paying the provider interest on the money from the date of the provider's repayment.

If, on the other hand, it is determined that the provider was overpaid, interest accrues on the time the overpayment remains unpaid, regardless of whose error caused the overpayment. The interest is calculated from the time the overpayment was actually disbursed by OMPP to the time when the provider repays the overpayment. The interest rate is the same rate that is used by the Department of State Revenue.

This bill provides that for those overpayments that were, in fact, determined to be overpayments, but the overpayment was because of an error made by OMPP rather than the provider, the provider would only need to repay the overpayment with no accompanying interest.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

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